

**TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana**

Financial Report

Year Ended June 30, 2012

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Mr. Richard Tompson
Interim Chief District Public Defender
Twenty-Fifth Judicial District of the State of Louisiana
Public Defender's Office
Belle Chasse, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office as of and for the year ended June 30, 2012, which collectively comprise the Public Defender's Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
December 12, 2012

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Statement of Net Assets
June 30, 2012

ASSETS

Current assets:

| | |
|----------------------------------|----------------|
| Cash and cash equivalents | \$ 143,487 |
| Fines and forfeitures receivable | 48,614 |
| Prepaid expenses | <u>1,186</u> |
| Total current assets | <u>193,287</u> |

Noncurrent assets:

| | |
|---------------------|----------------|
| Capital assets, net | <u>114,758</u> |
| Total assets | <u>308,045</u> |

LIABILITIES

| | |
|----------------------|---------------|
| Accounts payable | 11,189 |
| Compensated absences | <u>11,594</u> |
| Total liabilities | <u>22,783</u> |

NET ASSETS

| | |
|---|-------------------|
| Invested in capital assets, net of related debt | 114,758 |
| Unrestricted | <u>170,504</u> |
| Total net assets | <u>\$ 285,262</u> |

The accompanying notes are an integral part of this statement.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Statement of Activities
For the Year Ended June 30, 2012

| | |
|----------------------------|-------------------|
| Program Expenses: | |
| Governmental Activities | |
| Personnel costs | 322,280 |
| Court costs | 39,436 |
| Insurance | 5,508 |
| Audit expense | 32,455 |
| Office expense | 49,790 |
| Depreciation | 22,614 |
| Total expenses | <u>472,083</u> |
| Program revenues: | |
| Fines forfeitures and fees | 199,460 |
| Operating grants | <u>128,300</u> |
| Total program revenues | <u>327,760</u> |
| Net program revenue | <u>(144,323)</u> |
| General revenues: | |
| Miscellaneous | 30,861 |
| Interest income | <u>7</u> |
| Total general revenues | <u>30,868</u> |
| Change in net assets | (113,455) |
| Beginning net assets | <u>398,717</u> |
| Ending net assets | <u>\$ 285,262</u> |

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTION - MAJOR FUND

MAJOR FUND

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Balance Sheet - Governmental Fund
General Fund
June 30, 2012

ASSETS

| | |
|----------------------------------|-----------------------|
| Cash and cash equivalents | \$ 143,487 |
| Fines and forfeitures receivable | 48,614 |
| Prepaid expenses | <u>1,186</u> |
| Total assets | <u>\$ 193,287</u> |

LIABILITIES AND FUND BALANCE

| | |
|--|-----------------------|
| Liabilities: | |
| Accounts payable | \$ 221 |
| Accrued liabilities | <u>10,968</u> |
| Total liabilities | <u>11,189</u> |
| Fund balance: | |
| Nonspendable | 1,186 |
| Restricted | - |
| Committed | - |
| Assigned | - |
| Unassigned | <u>180,912</u> |
| Total fund balance | <u>182,098</u> |
| Total liabilities and fund balance | <u>\$ 193,287</u> |

The accompanying notes are an intergral part of this statement.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
June 30, 2012

| | |
|--|------------|
| Total fund balance for governmental funds at June 30, 2012 | \$ 182,098 |
|--|------------|

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

| | | |
|---|---------------|---------|
| Buildings, net of \$5,165 accumulated depreciation | 54,424 | |
| Equipment, net of \$36,882 accumulated depreciation | 44,001 | |
| Vehicles, net of \$15,278 accumulated depreciation | <u>16,333</u> | 114,758 |

General long-term debt of governmental activities is not payable from current resources and, therefore, not reported in the funds. This debt is:

| | |
|----------------------|-----------------|
| Compensated absences | <u>(11,594)</u> |
|----------------------|-----------------|

| | |
|--|-------------------|
| Total net assets of governmental activities at June 30, 2012 | <u>\$ 285,262</u> |
|--|-------------------|

The accompanying notes are an integral part of this statement.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
General Fund
For the Year Ended June 30, 2012

Revenues:

| | |
|----------------------------|----------------|
| Fines forfeitures and fees | \$ 199,460 |
| Operating grants | 128,300 |
| Miscellaneous | 30,861 |
| Interest income | <u>7</u> |
| Total revenues | <u>358,628</u> |

Expenditures:

| | |
|--------------------|----------------|
| Current - | |
| Personnel costs | 314,470 |
| Court costs | 39,436 |
| Insurance | 5,508 |
| Audit expense | 32,455 |
| Office expense | 49,790 |
| Capital outlay | <u>4,578</u> |
| Total expenditures | <u>446,237</u> |

| | |
|--|----------|
| Deficiency of revenues over expenditures | (87,609) |
|--|----------|

| | |
|------------------------|----------------|
| Beginning fund balance | <u>269,707</u> |
|------------------------|----------------|

| | |
|---------------------|-------------------|
| Ending fund balance | <u>\$ 182,098</u> |
|---------------------|-------------------|

The accompanying notes are an integral part of this statement.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2012

| | |
|---|-------------|
| Total net change in fund balance at June 30, 2012 per Statement of Revenues, Expenditures and Changes in Fund Balance | \$ (87,609) |
|---|-------------|

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|-----------------|----------|
| Capital outlay which is considered an expenditure on the Statement of Revenues, Expenditures and Changes in Fund Balance | 4,578 | |
| Depreciation expense for the year ended June 30, 2012 | <u>(22,614)</u> | (18,036) |

Governmental funds record long-term debt in the General Long-Term Debt Account Group as opposed to recording debt activity in the fund financial statements. However, in the statement of activities, the debt and related expenses are reported.

| | |
|------------------------------|----------------|
| Compensated absences payable | <u>(7,810)</u> |
|------------------------------|----------------|

| | |
|---|---------------------|
| Total change in net assets at June 30, 2012 per Statement of Activities | <u>\$ (113,455)</u> |
|---|---------------------|

The accompanying notes are an integral part of this statement.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office ("Public Defender's Office") was created under Louisiana Revised Statute 15:144-149 and modified by Act 307, to provide and compensate counsel to represent indigent (needy individuals) in criminal and quasi-criminal cases on the district court level.

The accompanying financial statements of the Public Defender's Office have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

The accounting and reporting policies of the Public Defender's Office conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

For financial statement reporting purposes, the Public Defender's Office is part of the district court system of the State of Louisiana. However, state statutes that create the Public Defender's Office give each of the Public Defender's Offices control over all of their operations. This includes the hiring and retention of employees, authority and control over budgeting, responsibility for deficits, and the receipt and disbursement of funds. The Public Defender's Office is financially independent and operates independently from the district court system. These financial statements include only the transactions of the Public Defender's Office.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The Public Defender's Office has no business-type activities.

The statement of activities presents a comparison between program revenues of the Public Defender's Office and the cost of the function. Program revenues are derived directly from Public Defender's Office users as a fee for services. Revenues that are not classified as program revenues are presented as general revenues.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

Fund Financial Statements (FFS)

The accounts of the Public Defender's Office are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The fund of the Public Defender's Office is classified as governmental. The emphasis on fund financial statements is on the major governmental fund. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major fund of the Public Defender's Office is described below:

Governmental Fund -

General Fund

The General Fund is the general operating fund of the Public Defender's Office. It is used to account for all financial resources.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net assets. In the fund financial statements,

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are classified by source and expenditures are classified by function and character. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the Public Defender's Office's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Public Defender's Office.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-----------------------------------|-----------|
| Furniture, fixtures and equipment | 5-7 years |
|-----------------------------------|-----------|

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Employees who have been employed by the Public Defender's Office for one to five years receive two weeks of paid vacation, for six to ten years receive three weeks of paid vacation, for ten to thirty years receive four weeks of paid vacation, and over thirty years receive six weeks of paid vacation. Employees earn ten sick days leave annually. Vacation and sick leave must be used in the year earned or it will be forfeited.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as follows.

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Chief District Public Defender. The Chief District Public Defender is the highest level of decision-making authority for the Public Defender's Office. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Chief District Public Defender.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Public Defender's Office's adopted policy, only the Chief District Public Defender may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

| | <u>General Fund</u> |
|---------------|-------------------------|
| Nonspendable: | |
| Prepaid items | \$ 1,186 |
| Restricted: | - |
| Committed: | - |
| Assigned: | - |
| Unassigned: | <u>180,912</u> |
| | <u>\$ 182,098</u> |

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Public Defender's Office considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Public Defender's Office considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Chief District Public Defender has provided otherwise in its commitment or assignment actions.

E. Budget and Budgetary Accounting

The Public Defender's Office adopted a budget as required by Louisiana Revised Statute 39:1301-1316, for the year ending June 30, 2012.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Public Defender's Office may deposit funds within a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Public Defender's Office may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2012, the Public Defender's Office has cash (book balances) totaling \$143,487.

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that in the event of a bank failure, the Public Defender's Office's deposits may not be returned to it. The Public Defender's Office's policy, by state law, is that all deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2012 are secured as follows:

| | |
|--|-------------------|
| Bank balances | <u>\$ 163,866</u> |
| At June 30, 2012 the deposits are secured as follows: | |
| Insured | 163,866 |
| Uninsured and collateral held by pledging bank not in Public Defender's Office's name | <u>-</u> |
| Total | <u>\$ 163,866</u> |

(3) Receivables

The following is a summary of receivables at June 30, 2012:

| | |
|-------------------------|------------------|
| Court fines | \$ 42,653 |
| Bond forfeitures | 4,353 |
| Insurance reimbursement | <u>1,608</u> |
| Total | <u>\$ 48,614</u> |

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

(4) Changes in Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Balance 07/01/11 | Additions | Deletions | Balance 06/30/12 |
|--------------------------------|---------------------|-------------|-----------|---------------------|
| Buildings | \$ 59,589 | \$ - | \$ - | \$ 59,589 |
| Equipment | 76,305 | 4,578 | - | 80,883 |
| Vehicles | 31,611 | - | - | 31,611 |
| Total capital assets | 167,505 | 4,578 | - | 172,083 |
| Less: accumulated depreciation | (34,711) | (22,614) | - | (57,325) |
| Capital assets, net | \$ 132,794 | \$ (18,036) | \$ - | \$ 114,758 |

Depreciation expense for the year ended June 30, 2012 was \$22,614.

(5) Pension Plan

The Public Defender's Office's employees are members of the Parochial Employees Retirement System of Louisiana (System), a cost sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and separate benefit provisions. The Public Defender's Office's employees are members of Plan A.

Parochial Employees Retirement System

All permanent employees working at least 28 hours per week and who are paid wholly or in part from Public Defender's Office funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 65 with at least 7 years of creditable service, at or after age 60 with 10 years of creditable service, at or age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one percent of final-average salary, plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980, plus 3 percent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
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Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

Plan members are required to contribute 9.25 percent of their annual covered salary to the system while the Public Defender's Office is required to contribute an actuarially determined rate of 15.75 percent of the total annual covered salary. The Public Defender's Office's contributions to the System under Plan A for the years ending June 30, 2012 and 2011 and for the six months ending June 30, 2010 was \$34,326, \$25,841 and \$27,870, respectively.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619 or by calling (225) 928-1361

(6) Deferred Compensation Plan

The Public Defender's Office offers its employees a deferred compensation plan created in accordance with Internal Revenue code Section 457. A third party, the State Mutual Life Assurance Company of America, administers the plan. The plan, which is available to all employees, permits employees to defer a portion of their salaries until future years. The deferred portion is not available to employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation liability and asset are equal to the total cash balances for each participant's account as of June 30, 2012. The Public Defender's Office has no liability for losses under the plan, but does have the duty and due care that would be required of an ordinary prudent investor. The Public Defender's Office intends to honor its moral obligation to the participants implicit in the program. No Public Defender's Office employees are participants in the plan.

(7) New Accounting Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) approved Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". The statement changes how governments will organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet). Under this standard, financial statements will include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. The provisions of GASB Nos. 62 and 63 must be implemented by the Public Defender's Office for the year ending June 30, 2013. The effect of implementation on the Public Defender's Office's financial statements has not yet been determined.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
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Notes to Basic Financial Statements (Continued)

(8) Subsequent Events

Subsequent events have been evaluated through December 12, 2012, the date of the financial statement issuance.

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Notes to Basic Financial Statements (Continued)

(9) Governmental Fund Revenues and Expenditures

For the year ended June 30, 2012, the major sources of governmental fund revenues and expenditures were as follows:

Revenues:

State Government

| | |
|--------|------------|
| Grants | \$ 128,300 |
|--------|------------|

Local Government

| | |
|--|---------|
| Statutory fines, forfeitures, fees, court costs, and other | 199,460 |
|--|---------|

Federal Government

-

Other Grants and Contributions

-

Charges for Services

-

Investment Earnings

7

Miscellaneous

30,861

Total Revenues

\$ 358,628

Expenditures:

Personnel Services and Benefits

| | | |
|--------------------------|------------|---------|
| Salaries | \$ 256,890 | |
| Retirement contributions | 34,326 | |
| Insurance | 19,536 | |
| Payroll Taxes | 3,718 | |
| Total | | 314,470 |

Professional Development

-

Operating Costs

| | | |
|------------------------------------|--------|---------|
| Contract services - attorney/legal | 39,436 | |
| Contract services - other | 32,455 | |
| Travel - other | 2,420 | |
| Insurance | 5,508 | |
| Utilities and telephone | 14,387 | |
| Other | 32,983 | |
| Total | | 127,189 |

Debt Service

-

Capital Outlay

4,578

Total Expenditures

\$ 446,237

REQUIRED SUPPLEMENTARY INFORMATION

TWENTY-FIFTH JUDICIAL DISTRICT
 OF THE STATE OF LOUISIANA
 PUBLIC DEFENDER'S OFFICE
 Belle Chasse, Louisiana

Budgetary Comparison Schedule
 For the Year Ended June 30, 2012

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Fines, forfeitures, and fees | \$ 200,000 | \$ 385,952 | \$ 199,460 | \$ (186,492) |
| Operating grants | 128,299 | 128,300 | 128,300 | - |
| Parish appropriations | 250,000 | - | - | - |
| Miscellaneous | - | 5,615 | 30,861 | 25,246 |
| Interest income | - | - | 7 | 7 |
| Total revenues | <u>578,299</u> | <u>519,867</u> | <u>358,628</u> | <u>(161,239)</u> |
| Expenditures: | | | | |
| Judicial- | | | | |
| Personnel costs | 538,039 | 429,439 | 314,470 | 114,969 |
| Court costs | 30,000 | 15,500 | 39,436 | (23,936) |
| Insurance | 6,500 | 6,319 | 5,508 | 811 |
| Audit expense | 35,000 | 35,000 | 32,455 | 2,545 |
| Office expense | 71,150 | 46,900 | 49,790 | (2,890) |
| Capital outlay | 10,000 | - | 4,578 | (4,578) |
| Total expenditures | <u>690,689</u> | <u>533,158</u> | <u>446,237</u> | <u>86,921</u> |
| Deficiency of revenues over expenditures | (112,390) | (13,291) | (87,609) | (74,318) |
| Fund balance, beginning | <u>171,753</u> | <u>269,707</u> | <u>269,707</u> | <u>-</u> |
| Fund balance, ending | <u>\$ 59,363</u> | <u>\$ 256,416</u> | <u>\$ 182,098</u> | <u>\$ (74,318)</u> |

**INTERNAL CONTROL
COMPLIANCE
AND
OTHER MATTERS**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mr. Richard Tompson
Interim Chief District Public Defender
Twenty-Fifth Judicial District of the State of Louisiana
Public Defender's Office
Belle Chasse, Louisiana

We have audited the financial statements of the governmental activities and the major fund of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office as of and for the year ended June 30, 2012, which collectively comprise the Public Defender's Office's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Public Defender's Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of prior and current year audit findings and management's corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Public Defender's Office's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of prior and current year audit findings and management's corrective action plan as items 12-1 and 12-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of prior and current year audit findings and management's corrective action plan as item 12-3.

We noted certain other matters that we reported to management of the Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office in a separate letter dated December 12, 2012.

The Twenty-Fifth Judicial District of the State of Louisiana Public Defender's Office's responses to the findings identified in our audit are described in the accompanying schedule of prior and current audit findings and management's corrective action plan. We did not audit the Public Defender's Office's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
December 12, 2012

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan
For the Year Ended June 30, 2012

I. Prior Year Findings:

Internal Control Over Financial Reporting

Item 11-1 – Inadequate Segregation of Accounting Functions

Finding: Due to the small number of employees, the Public Defender's Office did not have adequate segregation of functions within the accounting system.

Status: Unresolved. See item 12-1.

Item 11-2 – Inadequate Controls over Financial Statement Preparation

Finding: The Public Defender's Office does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Status: Unresolved. See item 12-2.

Compliance

There were no findings that were required to be reported at June 30, 2011.

Management Letter Items

There were no findings that were required to be reported at June 30, 2011.

II. Current Year Findings and Management's Corrective Action Plan:

Internal Control Over Financial Reporting

Item 12-1 – Inadequate Segregation of Accounting Functions

Finding: Due to the small number of employees, the Public Defender's Office did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan: Richard Tompson, Interim Chief Public Defender, has determined that it is not feasible to achieve adequate segregation of functions within the accounting department. No plan is considered necessary.

Item 12-2 – Inadequate Controls over Financial Statement Preparation

Finding: The Public Defender's Office does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

(continued)

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan (Continued)
For the Year Ended June 30, 2012

Management's Corrective Action Plan: Richard Tompson, Interim Chief Public Defender, has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Compliance

Item 12-3 – Noncompliance with Louisiana Local Government Budget Act

Finding: Louisiana Revised Statutes (LSA-R.S.) 39:1301-1314, known as the Local Government Budget Act, requires that the budget be amended when budgeted revenues exceed total actual revenues plus projected revenues by five percent or more. The General Fund had an unfavorable variance of approximately 31%.

Management's Corrective Action Plan: I, Richard Tompson, was appointed as Interim Chief District Public Defender effective July 1, 2012. Therefore, I had no input or responsibility for the budget of the Public Defender's Office for the fiscal year ended June 30, 2012. I have already implemented a financial plan to amend the operating budget established by the prior administration and submitted to the Louisiana Public Defender Board for the fiscal year to end on June 30, 2013. I will comply with Louisiana's Revised Statutes, the Local Government Budget Act, and the budgeting requirements imposed by the Louisiana Public Defender Board as it relates to this office's operating budget.

Management Letter Items

Item 12-4 – Accounting Records

Finding: We noted several areas where improvement should be made in regards to the accounting records. We offer the following recommendations for consideration:

- We suggest that all accounting records be better organized and include all transactions that should have been recorded. Documentation for all transactions should be maintained in a more organized manner.
- We suggest that all payroll records include gross salaries and withholdings.
- We suggest that a legal determination be made regarding whether employees are entitled to overtime pay. Accurate and comprehensible timecards should be maintained to support all overtime hours worked.
- We suggest that better segregation of duties be established regarding disbursements. The Chief Public Defender should review all invoices prior to signing checks. The checks should not be signed by the individual who receives the invoices and prepares the checks for disbursement.

(continued)

TWENTY-FIFTH JUDICIAL DISTRICT
OF THE STATE OF LOUISIANA
PUBLIC DEFENDER'S OFFICE
Belle Chasse, Louisiana

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan (Continued)
For the Year Ended June 30, 2012

Management's Corrective Action Plan:

- I, Richard Thompson, Interim Chief District Public Defender, have hired an independent CPA to assist in devising policies and procedures to properly organize accounting records and transactions of the Public Defender's Office.
- Payroll records now include, at a minimum, gross wages and withholding figures.
- The Office Manager of the Public Defender's Office records hourly work hours utilizing a time clock system. Accurate and comprehensive time cards are maintained to support hours worked. I am in the process of establishing a policy for compensation of employee overtime.
- My Office Manager receives all invoices and prepares checks for my signature as Chief Public Defender. I review and approve all invoices prior to signing checks. Further, I am the only signatory on the sole bank checking account.